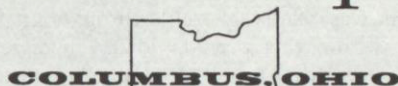


BancOhio Corporation



CLEVELAND PUBLIC LIBRARY
BUSINESS INFORMATION BUREAU
CORPORATION FILE

annual Report 1956.

January 31, 1957

Report to the Stockholders:

The consolidated net income for 1956 of your Corporation and its affiliated banks after provision for taxes and increases in reserves for loans amounted to \$3,537,531. This amount excludes the proportion of net income (1.7%) attributable to the minority equities in the capital stock of the affiliates. The consolidated net income represents \$4.24 per share in respect of the Corporation's capital stock outstanding at the year end. The comparable amount in 1955, adjusted to reflect the ten percent 1956 stock dividend, was \$3.59 per share. Cash dividends paid in 1956 were \$1.45 per share compared to \$1.50 per share in 1955 — each figure computed in respect of total outstanding shares as of December 31, 1956. In addition, on December 10, a 10% stock dividend was distributed.

In consideration of an increase of \$16,337,864 in the loans of the affiliated banks, \$1,001,700 was charged to 1956 current earnings and added to the banks' reserves against loans.

During the year, investments in various issues of United States Treasury securities were liquidated in a program designed to effect an adjustment in the banks' investment accounts and reinvestments were made to enhance the prospects of capital gains in the future. Losses incurred on these sales, less the reduction thereby effected in income taxes, amounted to \$718,920. This amount was charged against existing reserves for bond valuations. The amortized cost of the U.S. Treasury securities at the year end was \$2,769,211 less than their redemption value; their average maturity was four years, ten months — 69% maturing within five years.

As stated in the announcement of the 10% stock dividend distributed on December 10, 1956, growth in the business of the affiliated banks has required corresponding attention to the alternative sources of increasing bank capital. The payment of a nontaxable stock dividend in lieu of a taxable cash dividend permitted larger retention of earnings, a portion of which has since been committed to meet the increased capital requirements of two affiliated banks in the current year. The increased credit requirements which are nationwide have presented many growing problems, including the adequacy of capital funds, to the managers of financial institutions. We believe the past year may record the greatest increase in history for bank capital in the United States. Circumstances existing at the time must determine for all banks the relative merits of the choice of generating new capital through the retention of a greater portion of net income or through the medium of marketing additional shares for public cash subscription with attendant selling expense.

Capital and surplus of BancOhio Corporation at the close of 1956 totaled \$35,867,181 compared to \$33,444,886 at the beginning of the year, so that the book value was \$42.94 per share for the 835,310 shares outstanding at the year end. This compares to \$40.04 per share at the beginning of the year, adjusted to reflect the 1956 dividend stock issued. The increase in book value reflects your Corporation's equity in the retained net earnings of the affiliated banks, \$2,086,031, and in effect is an additional capital investment for the Corporation's shareholders.

The year 1956 witnessed, at an accelerated rate, a continuation of expanding production, sales and consumption in the United States and elsewhere. Conflicting strains become more apparent at many levels and particularly in the financial world of money markets, security prices, short term credits to finance current inventories and consumption and long term credits for new and improved production facilities, schools, roads and other public improvements. As a result of these conditions, the BancOhio banks' income from loans increased \$1,055,561 or 13.3% in the past year and income from securities increased \$750,120 or 11.7%.

Rising price levels and salary levels were also reflected through an increase of \$1,034,934 in the banks' operating expenses — 10.8% above a year ago. However, the relationship of operating expense to gross income was slightly improved since the ratio for 1956 was 58.7% compared to 59.4% in 1955. The increase in current earnings required an increase in accruals for income taxes amounting to \$200,000. Incidentally, total income tax accruals for 1956 were \$2,963,500, equal to \$3.55 per share of the Corporation's stock.

A year ago it was reported to you that capital expenditures by your banks for land, building and equipment were approximately \$3,500,000 in the six years prior to that date. In 1956, further capital expenditures were required in the sum of \$1,264,800. These included the construction and equipping of the Great Western Office of The Ohio National Bank and the Eastown Office of The National Bank of Portsmouth, the major remodeling and addition to the banking quarters of the First National Bank of Chillicothe and acquisition of property for later development in other locations.

The level of your banks' deposits was relatively stable throughout the year and on December 31, 1956 showed a gain of 5% for the year. Within this period, loans increased 9% and investment accounts gained 1%. Cash and U.S. Treasury securities represented slightly more than 60% of the affiliated banks' assets at the year end and accordingly present assurance of ample credit facilities for present and prospective customers.

It is particularly gratifying to report the growth in business of the Trust Department of the Ohio National Bank. New accounts opened were 44% more than were opened in the previous year. Within the past year the staff of the department has been increased 21% and we believe it to be very well qualified to meet the increasing demands for personal and corporate trust services. While these services have been vigorously promoted we are still convinced that only a small portion of the share owners and bank customers, who could benefit substantially, have availed themselves of trust facilities.

There are no new affiliates to be reported for the past year, although consideration was given to several possibilities. The Corporation will vigorously pursue such affiliation prospects as meet its proven standards for long term mutual advantage in an association with other banks. The holding company act of 1956 does not appear at this time to present any major new problems in the type of desirable bank affiliations which have characterized BancOhio Corporation's operations.

Your banks face higher operating costs in 1957 as a result of rising price levels and competition in interest rates paid on deposits. However, there is in prospect some degree of offsetting opportunities for increased income. In any event, 1956 witnessed the banner year in BancOhio's history for net operating earnings and further progress in perfection of equipment and facilities to serve the banking public. In this respect the loyal devotion of the energies of a staff of 1348 persons is acknowledged and provides confidence in an ability to deal with such problems as the future may present.

In recognition of the inherent mutual interests of bank owners, operating staff and bank customers, it should be noted that assurances of security for the staff were provided by hospitalization benefits in 1956 to 249 persons, retirement payments to 34 former employees and life insurance payments to the survivors of two deceased employees. It is the intention of management to continually perfect those programs essential to maintaining an efficient organization of productive personnel.

We believe that 1956 has recorded a notable year of service to more than 460,000 customer accounts in your banks and of progress in the shareholders' interests which evidences an effective discharge of responsibility by the directors and the staffs of the affiliated banks.

Respectfully submitted,
Derrol R. Johnson
President

Price Waterhouse & Co.

50 West Broad Street
Columbus 15, Ohio
January 16, 1957

To the Board of Directors of
BancOhio Corporation

We have examined the 1956 financial statements of BancOhio Corporation (parent company only). Our examination was made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances, but we did not examine the financial statements of the subsidiary banks. However, we reviewed the copies of the state and national bank examiners' 1956 reports presented to us; the reports indicated that all subsidiary banks were examined during 1956 by such examiners.

The investments in subsidiary banks are stated on the basis of the parent company's equity in the net assets of the banks as shown by their December 31, 1956 financial statements; the net increase in the investment account, resulting from such basis, is included in surplus. The financial statements of the banks were certified by responsible bank officials to be copies of the statements filed with either the Comptroller of the Currency or The Division of Banks of the State of Ohio.

Based on our examination described above, and with the explanation in the preceding paragraph as to the basis for stating the investments in the subsidiary banks, as well as the explanation in the Note to the balance sheet regarding the application of the November 1956 stock dividend, it is our opinion that the accompanying balance sheet and statements of income and surplus of the parent company — BancOhio Corporation — present fairly its position at December 31, 1956 and the results of its operations for 1956, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Price Waterhouse & Co.

BANCOHIO CORPORATION

(Parent company only)

STATEMENT OF INCOME

YEAR ENDED DECEMBER 31, 1956

Income:

Dividends from subsidiary banks		\$ 1,557,533
Interest		83,381
Other income		3,023
		<u>\$ 1,643,937</u>

Expenses:

Salaries, sundry taxes, and other operating expenses	\$ 519,237	
Less—Service charges to subsidiary banks	470,800	48,437
		<u>\$ 1,595,500</u>
Federal income taxes—estimated		144,000
Net income for the year		<u>\$ 1,451,500</u>

STATEMENT OF SURPLUS

YEAR ENDED DECEMBER 31, 1956

Balance at December 31, 1955		\$18,257,427
Increase in equity in net assets of subsidiary banks represented by:		
Undistributed net operating income—after provisions for possible future bad debts and loan losses	\$2,137,712	
Net losses on security sales (after taxes)	\$ 770,601	
Less certain net losses on sales of U.S. Treasury securities charged to reserve appropriated in 1954	718,920	
	<u>\$ 51,681</u>	
	\$2,086,031	
Net income, per above statement	1,451,500	3,537,531
Net adjustments for changes in minority interests in subsidiary banks		16,210
		<u>\$21,811,168</u>
10% stock dividend of 75,936 shares declared in November 1956 from surplus from increase in equity in net assets of subsidiary banks— at \$40.91 a share, approximate market value*	\$3,106,542	
Less—Excess of market over par value*	1,587,822	
Amount transferred to capital stock account equal to the \$20 par value of the shares issued	\$1,518,720	
(*In the surplus segregation shown in the note to the accompanying balance sheet \$3,106,542 was deducted from "Surplus from increase in equity in net assets of subsidiary banks" and \$1,587,822 was added to "Capital surplus")		
Cash dividends paid — \$1.45 a share	1,131,446	2,650,166
Balance at December 31, 1956 (see note to balance sheet)		<u>\$19,161,002</u>

THE BANCOHIO BANKS

SUMMARY OF COMBINED TOTAL NET ASSETS AT DECEMBER 31, 1956

Assets:

Cash and due from banks (including \$4,952,113 due from affiliated bank)		\$155,468,378
Securities — at amortized cost:		
U. S. Treasury securities	\$230,791,565	
State and municipal bonds	59,925,125	
Other bonds and securities	6,055,197	
	<hr/>	
	\$296,771,887	
Less balance of reserve appropriated from 1954 security profits	290,491	
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		296,481,396
Stock in Federal Reserve Bank		820,050
Loans, less \$4,223,231 reserves		180,960,241
Banking premises and equipment		6,735,429
		<hr/>
		<u>\$640,465,494</u>

Liabilities:

Demand deposits (including \$3,834,980 deposits of affiliated banks and BancOhio Corporation)	\$442,182,516	
Time deposits	157,094,712	
	<hr/>	
		\$599,277,228
Interest, taxes, etc.		2,949,998
Unearned income		3,577,553
		<hr/>
		<u>\$605,804,779</u>
Combined total net assets		<u>\$ 34,660,715</u>

SUMMARY OF CHANGES IN COMBINED TOTAL NET ASSETS DURING 1956

Combined total net assets at December 31, 1955		\$ 32,542,084
Net income for 1956:		
Net operating income — after provisions for possible future bad debts and loan losses	\$ 3,762,072	
	<hr/>	
Net losses on security sales (after taxes)	\$ 779,441	
Less certain net losses on sales of U.S. Treasury securities charged to reserve appropriated in 1954	726,000	
	<hr/>	
	53,441	3,708,631
		<hr/>
		\$ 36,250,715
Cash dividends paid (\$1,557,533 to BancOhio Corporation)		1,590,000
		<hr/>
Combined total net assets at December 31, 1956		<u>\$ 34,660,715</u>

BANCOHIO CORPORATION

(Parent company only)

(An Ohio corporation—Incorporated in 1929)

BALANCE SHEET — DECEMBER 31, 1956

ASSETS

Deposits in banks (\$103,645 in subsidiary bank)	\$ 127,758
Deposit with shareholders' agent (subsidiary bank) for adjustment of stock dividend fractional shares	25,000
U. S. Government securities at cost (approximate market \$1,493,000)	1,561,454
Notes receivable (including \$322,959 from directors of subsidiary banks)	497,959
Investments in shares of subsidiary banks (acquired for BancOhio capital stock and cash) stated on basis of equity in net assets of the banks at December 31, 1956	33,869,188
	<u>\$36,081,359</u>

LIABILITIES

Federal income taxes and other liabilities—estimated	\$ 214,178
Capital stock—\$20.00 par value:	
Authorized — 1,000,000 shares	
Issued — 835,314.049 shares (less 3.94 shares in treasury at cost)	16,706,179
Surplus (see note below) per statement attached	19,161,002
	<u>\$36,081,359</u>

Note:

Accepting December 31, 1934 as a starting point and after deducting from "Surplus from increase in equity in net assets of subsidiary banks" \$3,106,542 for a 10% stock dividend of 75,936 shares declared from such surplus in November 1956 as permitted by law, the total surplus account would be segregated as follows:

Capital surplus (net)	\$ 3,461,877
Surplus from increase in equity in net assets of subsidiary banks —	
since December 31, 1934	13,199,907
Earned surplus — since December 31, 1934	2,499,218
	<u>\$19,161,002</u>

THE BANCOHIO BANKS

DEPOSITS, CAPITAL AND SURPLUS, UNDIVIDED PROFITS AND CONTINGENT RESERVES — COMBINED AT DECEMBER 31, 1956

	Total Deposits	Capital and Surplus	Undivided Profits and Contingent Reserves	Net Assets
OHIO NATIONAL BANK OF	\$382,104,941	\$16,000,000	\$3,329,512	\$19,329,512
FIRST NATIONAL BANK OF	7,096,333	425,000	55,768	480,768
FIRST NATIONAL BANK OF	16,273,235	1,000,000	131,029	1,131,029
SECOND NATIONAL BANK OF	3,192,553	275,000	84,187	359,187
FIRST NATIONAL BANK OF	15,066,898	850,000	244,383	1,094,383
FIRST NATIONAL BANK OF	12,127,071	500,000	251,802	751,802
HOCKING VALLEY NATIONAL BANK OF	11,987,327	550,000	125,522	675,522
FARMERS & MERCHANTS BANK OF	7,744,625	400,000	114,026	514,026
FIRST NATIONAL BANK OF	5,793,630	350,000	142,665	492,665
FIRST NATIONAL BANK OF	6,823,845	275,000	144,830	419,830
KNOX COUNTY SAVINGS BANK	8,495,013	600,000	204,634	804,634
FIRST NATIONAL BANK OF	19,953,859	1,200,000	309,038	1,509,038
PERRY COUNTY BANK	2,740,977	150,000	40,255	190,255
THE NATIONAL BANK OF	13,019,178	700,000	148,339	848,339
FIRST NATIONAL BANK OF	31,046,488	2,000,000	365,018	2,365,018
FIRST NATIONAL BANK OF	7,309,946	450,000	158,564	608,564
FIRST NATIONAL BANK OF	7,873,973	350,000	109,805	459,805
OHIO STATE BANK	8,206,673	325,000	114,738	439,738
FIRST NATIONAL BANK OF	5,632,344	350,000	109,467	459,467
WORTHINGTON SAVINGS BANK	9,267,524	410,000	125,036	535,036
CITIZENS NATIONAL BANK IN	17,520,795	1,000,000	192,097	1,192,097
COMBINED TOTALS	\$599,277,228	\$28,160,000	\$6,500,715	\$34,660,715
Less — Minority interests		558,575	232,952	791,527
BANCOHIO CORPORATION EQUITY		\$27,601,425	\$6,267,763	\$33,869,188